

# November 13, 2012

## Under One Roof

Affordable Rental Housing:  
Opportunities and Challenges

# Today's Speakers

## Moderator:

- ▶ Kate Racer, Division of Housing Development, DHCD

## Panelists:

- ▶ Clark Ziegler, Massachusetts Housing Partnership
- ▶ Chrystal Kornegay, Urban Edge
- ▶ Tilman Lukas, MBL Housing

# Funding Priority Categories

- ▶ Housing for extremely low-income (ELI) individuals, families, and seniors with supportive services
- ▶ Investment in distressed and at-risk neighborhoods
- ▶ Preservation of existing affordable housing
- ▶ Family housing production in neighborhoods and communities that provide access to opportunities

# Pre-Screen for Rental Round

- ▶ Strength of Development Team
- ▶ Conformance with DHCD Priority Categories
- ▶ Development/Operating Cost Reasonableness
- ▶ Anticipated Funding Requests
- ▶ Status of Local Match
- ▶ Status of Zoning, Environmental, and Historic
- ▶ Preservation Category and Tier
- ▶ Level of market demand for proposed units
- ▶ Closing status on other DHCD awarded projects
- ▶ Municipal support for non-age restricted affordable housing development (applies if proposed project is age-restricted)

# Results of First Pre-Screen Process in August 2012

- ▶ 92 pre-applications received
- ▶ 62 pre-applications recommended for acceptance into funding round
  - 37 repeat and 25 new projects
- ▶ 60 applications in the rental round
- ▶ In February 2012, DHCD received 75 applications, of which 35 were able to be funded due to an increase in bond cap.
  - Five of the 35 projects are delayed slightly due to having an outer year of 9% credit; sponsors are seeking 4% credits, or waiting until January 2013 to close on financing.

# High Availability of Volume Cap and 4% Credits for Rental Housing Production and Preservation

- ▶ About three quarters of the State's volume cap in 2010 and 2011 was used for housing
- ▶ Over half of the State's volume cap in 2010 and 2011 was used for rental housing in particular.
  - Rental Housing Volume Cap Usage:
    - 2010: Approx. \$317 million (59% of total volume cap)
    - 2011: Approx. \$261 million (49% of total volume cap)

# 9% Credit Projects “Turned” 4%



## Production

- ▶ Voke School, Worcester
- ▶ 84 units
- ▶ Winn Development



# 9% Credit Projects “Turned” 4%

## Production

Station Lofts,  
Brockton

25 units

Capstone  
Communities



# Challenges

- ▶ Limited resources due to HOPE VI demand and federal funding cuts
- ▶ High development costs in some areas and for some projects
- ▶ High level of need for family housing for extremely low income households
- ▶ Need for regional distribution of resources
- ▶ Desire to fund both preservation and production projects

# Opportunities

- ▶ Open communication among production and preservation partners including developers, managers, intermediaries and DHCD
- ▶ Strong Patrick administration and legislative support for affordable housing production and preservation
- ▶ New Lease signifies willingness of private housing managers and developers to find ways to house extremely low income families

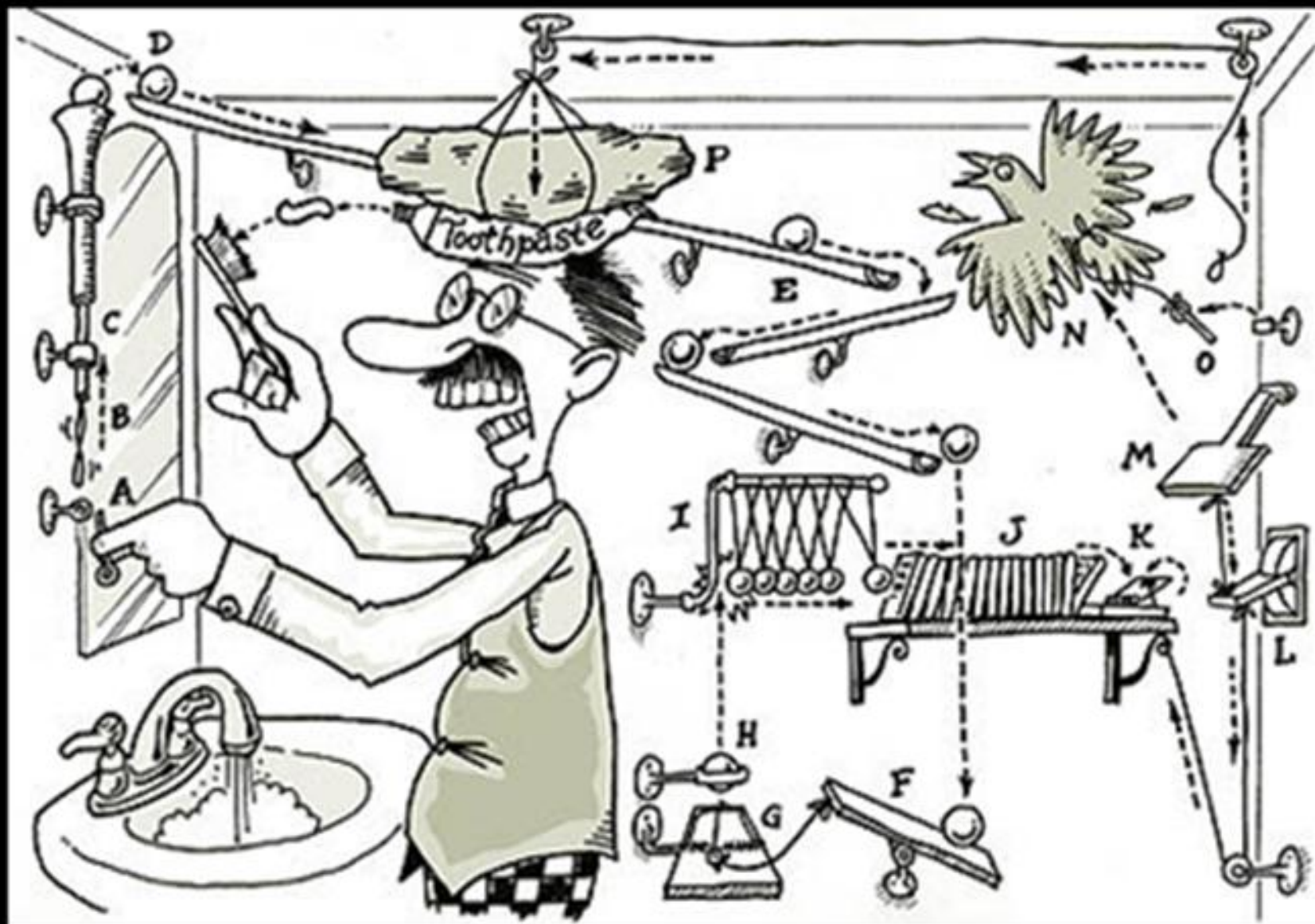
**Clark Ziegler**  
**Executive Director**

Massachusetts Housing Partnership

Affordable Rental Housing:  
Opportunities and Challenges

Under One Roof  
**November 13, 2012**

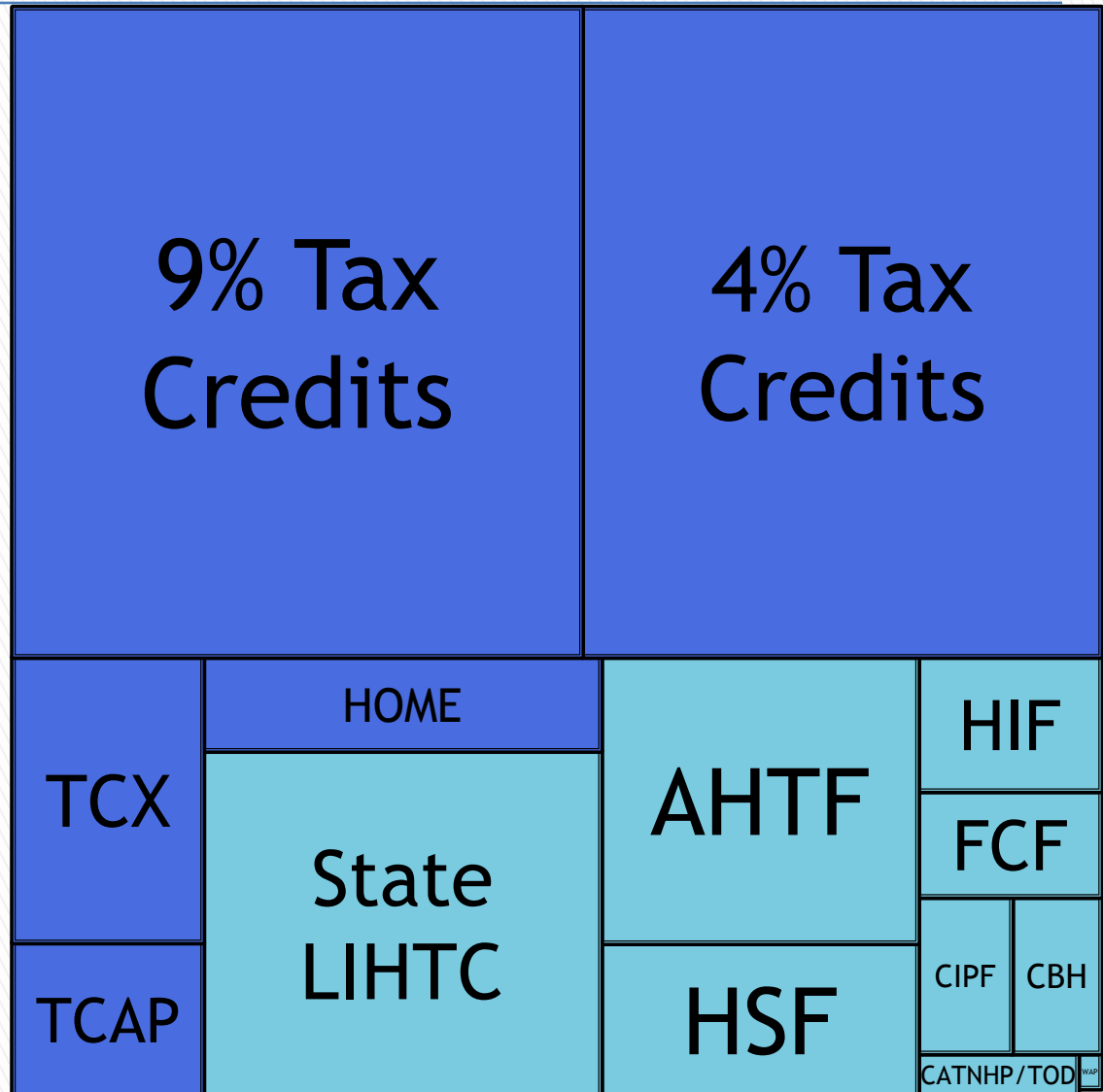
Our Housing Delivery System:  
As Simple as Getting Toothpaste on a Brush



# Subsidy Sources for Affordable Housing Development

Patrick Administration (Jan 2007 - present)

Subsidy Source	Amount ('000s)
9% Tax Credits	\$750,469
4% Tax Credits	\$684,394
State LIHTC	\$278,259
AHTF	\$184,302
TCX	\$110,346
HSF	\$97,996
HOME	\$75,915
HIF	\$49,925
FCF	\$39,294
TCAP	\$59,167
CBH	\$28,337
CIPF	\$29,835
CATNHP/TOD	\$13,638
WAP	\$1,652
Total	\$2,403,527



Federal  
Sources

State  
Sources

## Affordable Housing Development with State Awards Patrick Administration (Jan 2007 – present)

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Total Projects: 402

Total Units: 20,973

Total Affordable Units: 19,559 (93%)

Rental-Assisted: 10,363 (49%)

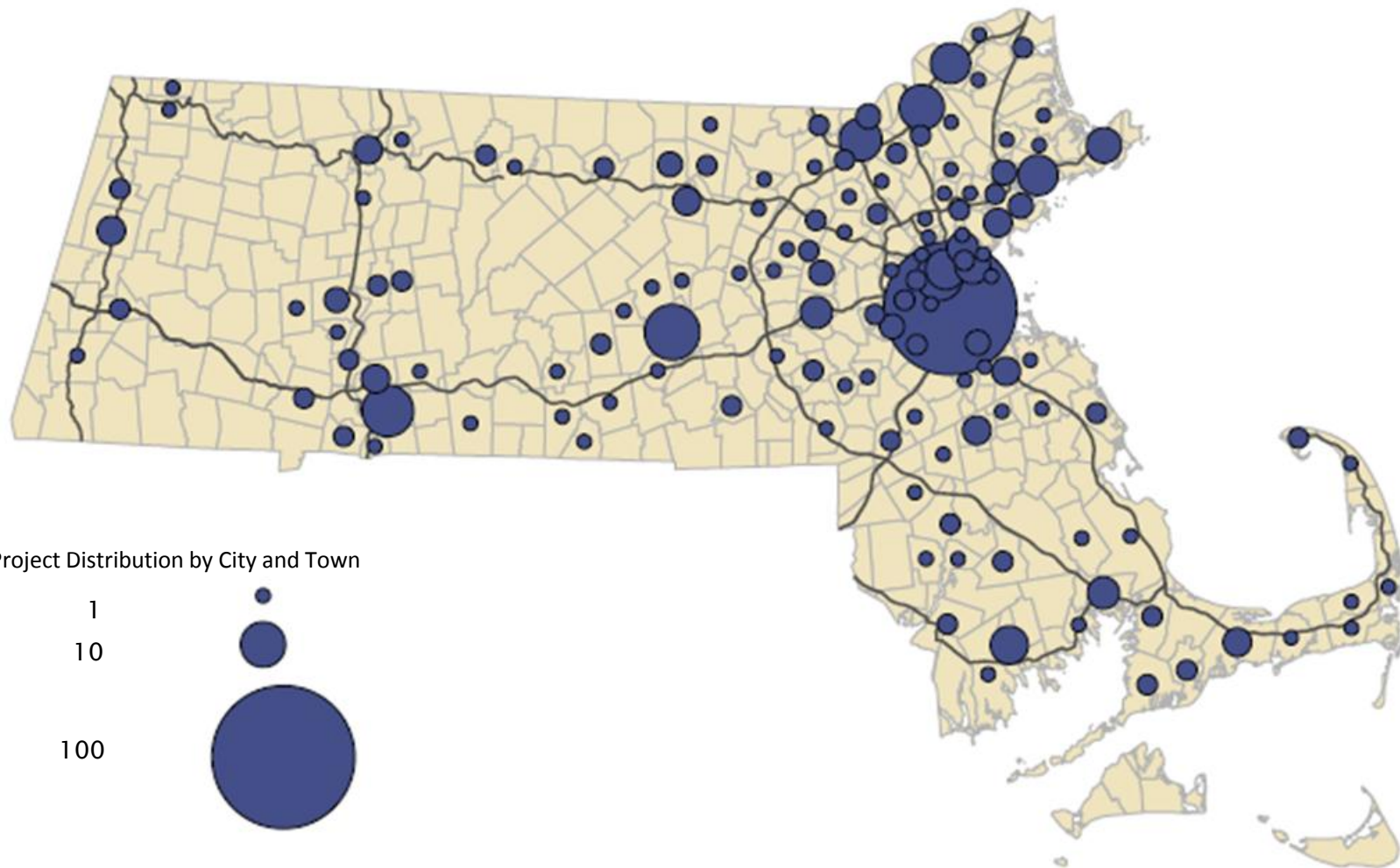
Below 50% AMI: 12,372 (59%)

Below 60% AMI: 18,349 (87%)

Total Subsidy: \$2.4 billion

Total Development Cost: \$5.1 billion



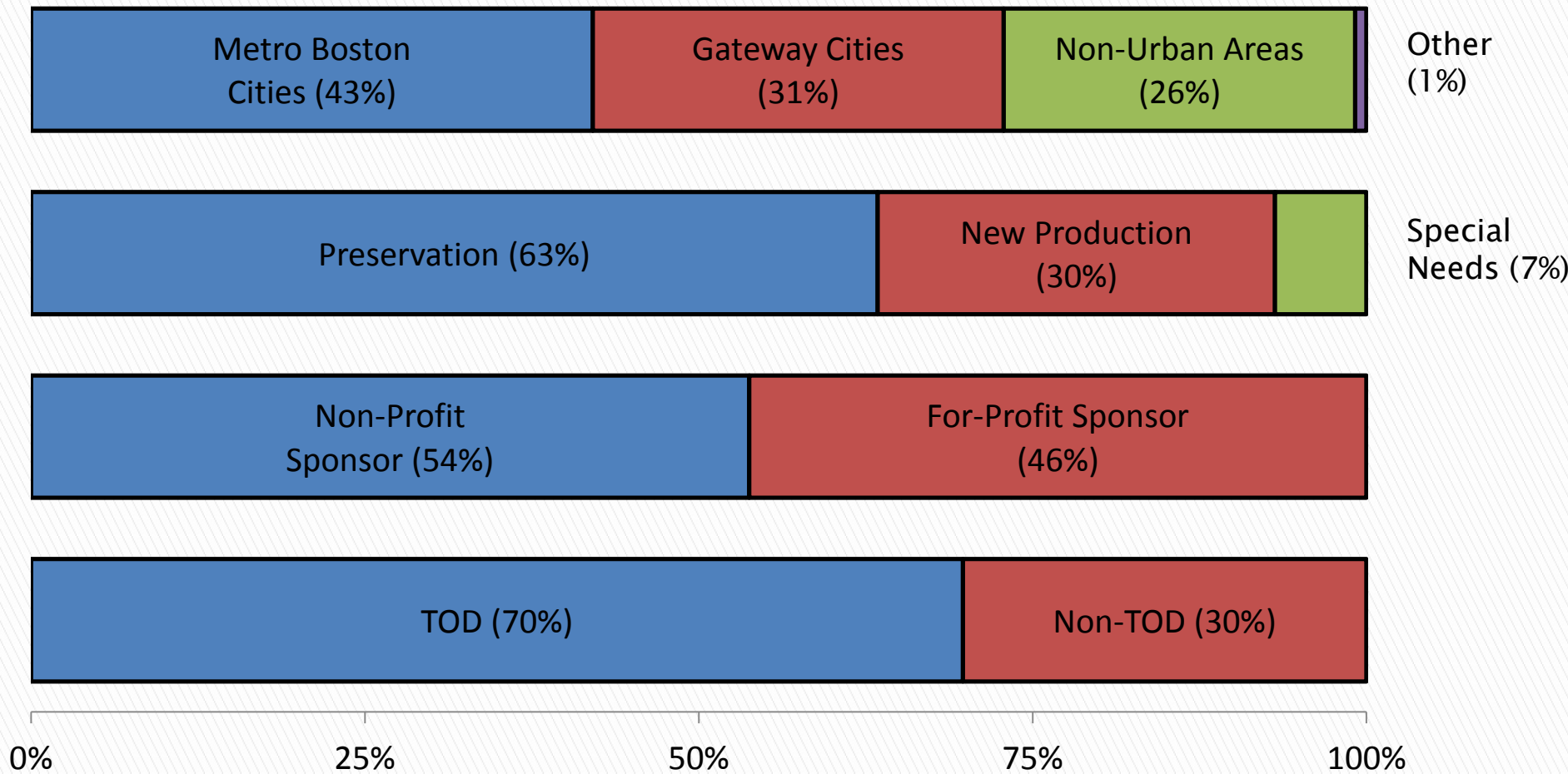


# Projects by Region

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	Projects	Units	% Total Units	Average Project Size	Median Project Size
Total	402	20,973	100%	52	32
<i>Berkshire</i>	<i>11</i>	<i>282</i>	<i>1%</i>	<i>26</i>	<i>16</i>
<i>Cape and Islands</i>	<i>17</i>	<i>847</i>	<i>4%</i>	<i>50</i>	<i>39</i>
<i>Central</i>	<i>43</i>	<i>2,140</i>	<i>10%</i>	<i>50</i>	<i>33</i>
<i>MetroBoston</i>	<i>181</i>	<i>10,636</i>	<i>51%</i>	<i>59</i>	<i>32</i>
<i>Northeast</i>	<i>73</i>	<i>3,491</i>	<i>17%</i>	<i>48</i>	<i>22</i>
<i>Pioneer Valley</i>	<i>43</i>	<i>1,625</i>	<i>8%</i>	<i>38</i>	<i>26</i>
<i>Southeast</i>	<i>34</i>	<i>1,952</i>	<i>9%</i>	<i>57</i>	<i>49</i>

# Total Units by Category



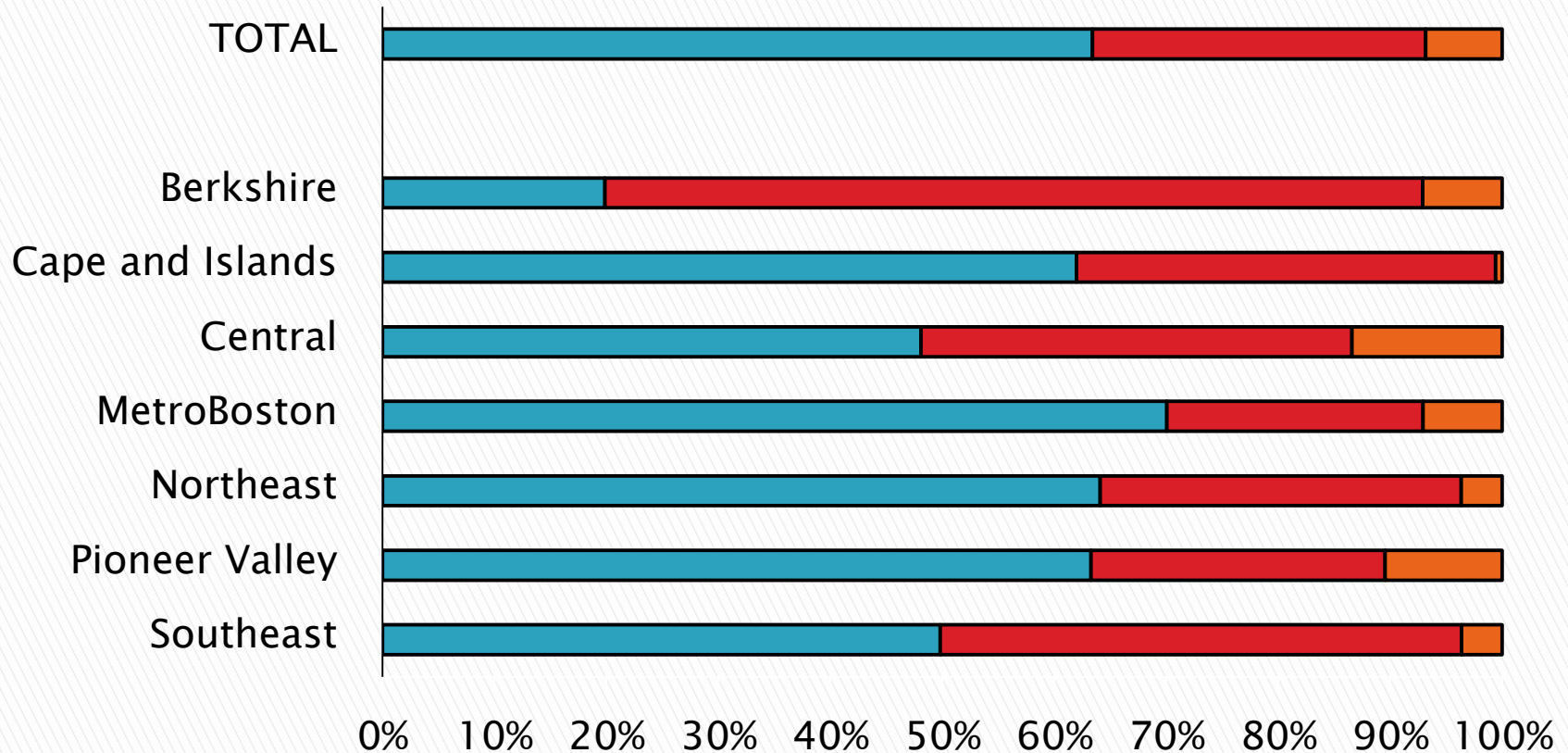
# Tenants Served

Project Characteristics	Family-Sized (>50% 2+ BR, >10% 3+ BR)	Other Non-Elderly	Elderly	Special Needs
Median Project Size	40 units	36 units	56 units	5 units
Total Units	6,693	8,065	4,893	1,322
Location				
Urban	83%	80%	50%	79%
Distressed (QCT)	41%	29%	23%	49%
Transit-Oriented	59%	69%	56%	71%
Income Level				
Rental-Assisted	51%	44%	57%	47%
Below 60% AMI	90%	83%	92%	84%
Bedroom Distribution				
2+ bedrooms	81%	49%	15%	6%
3+ bedrooms	31%	3%	1%	3%

# Production vs. Preservation

## Share of Units by Type

■ Preservation ■ New Production ■ Special Needs



# Production vs. Preservation

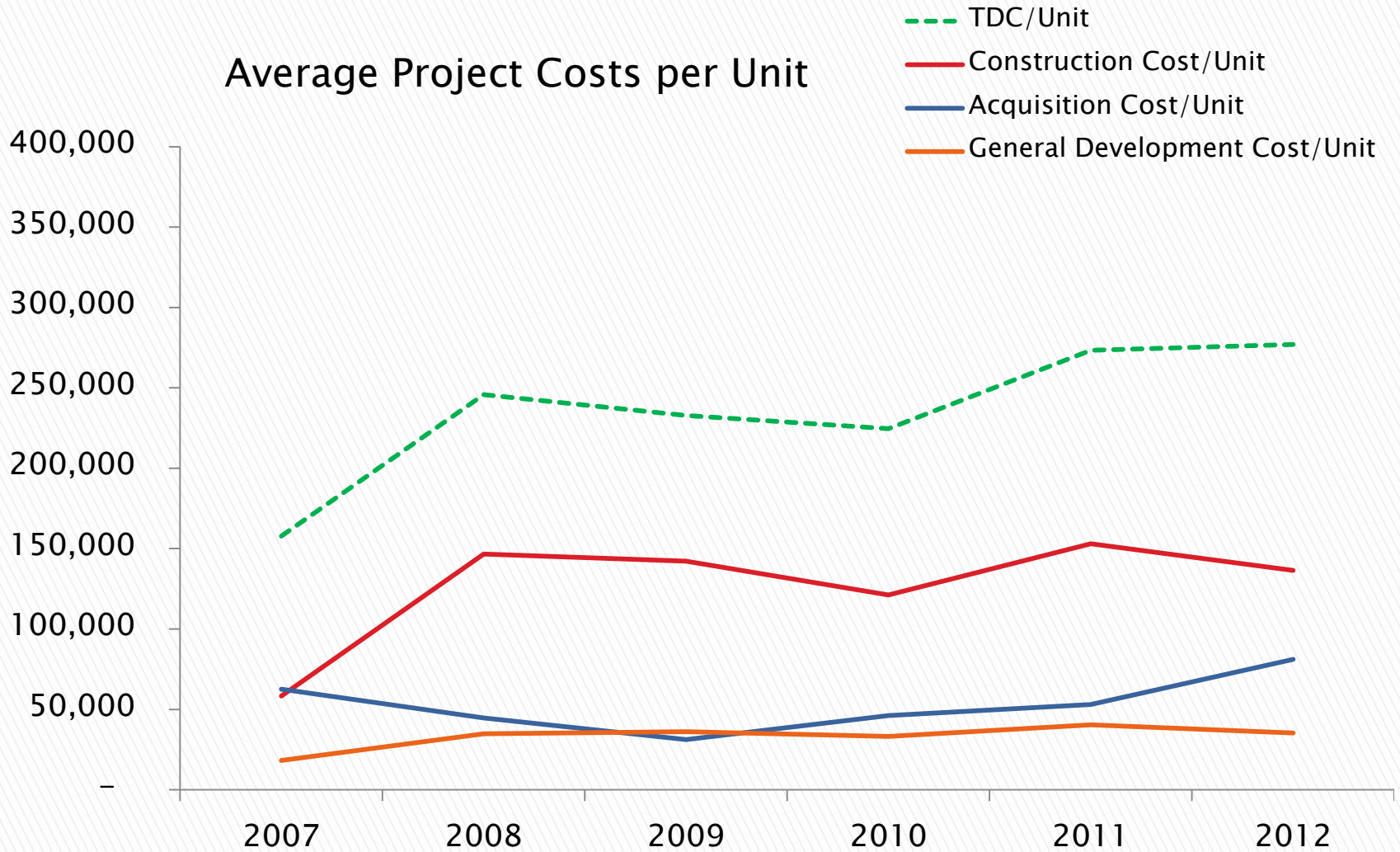
	All	Production	Preservation
Median Project Size	32 units	29 units	41 units
Total Units	20,973	6,859	14,114
<i>Location</i>			
Urban	74%	55%	83%
Distressed (QCT)	33%	36%	31%
Transit-Oriented	63%	57%	66%
<i>Income Level</i>			
Rental-Assisted	49%	23%	62%
Below 60% AMI	87%	84%	89%
<i>Bedroom Distribution</i>			
2+ bedrooms	48%	44%	50%
3+ bedrooms	11%	8%	13%
<i>Cost (\$)</i>			
TDC per Unit	244,275	293,224	220,616
Subsidy per Affordable Unit	122,886	190,103	90,768

# Non-Profit vs. For-Profit

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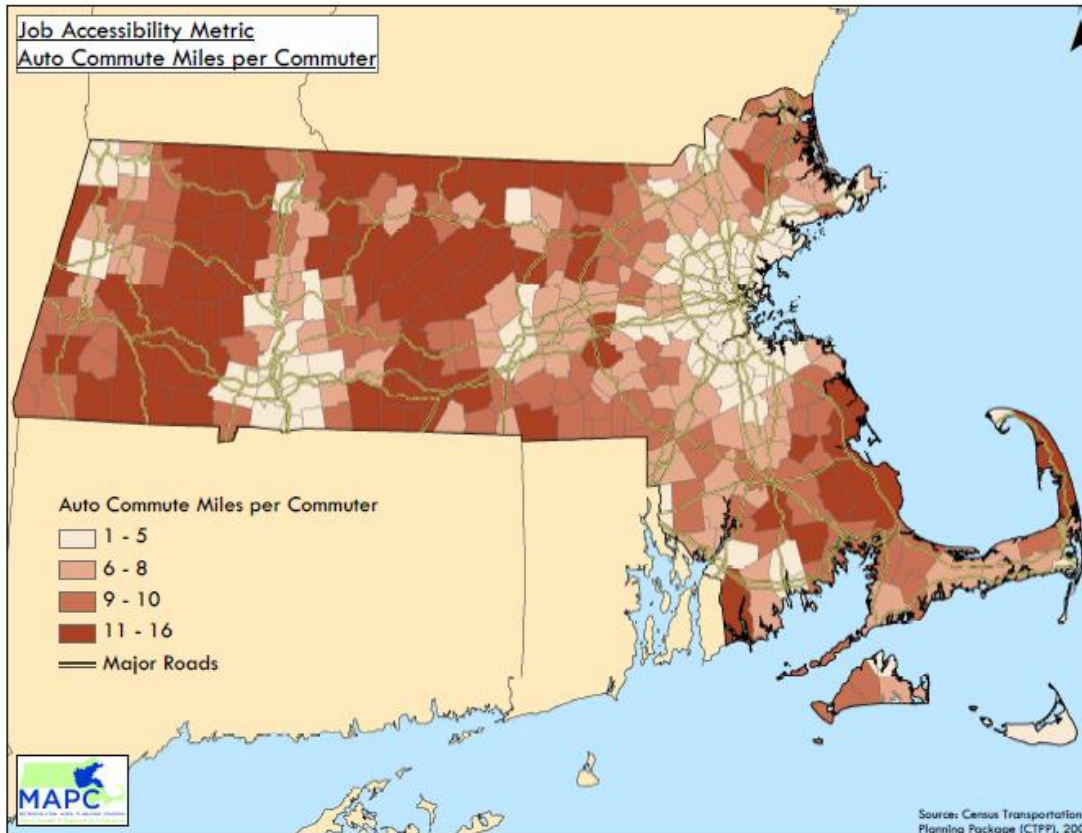
	Non-Profit	For-Profit
Median Project Size	21 units	65 units
Total Units	11,284	9,689
<i>Location</i>		
Urban	76%	71%
Distressed (QCT)	36%	29%
Transit-Oriented	64%	62%
<i>Income Level</i>		
Rental-Assisted	54%	44%
Below 60% AMI	90%	84%
<i>Bedroom Distribution</i>		
2+ bedrooms	43%	55%
3+ bedrooms	12%	10%
<i>Cost (\$)</i>		
TDC per Unit	250,257	237,289
Subsidy per Affordable Unit	117,562	129,788

# Cost Trends



# Opportunity Areas for Families

- Employment



- Education

The majority of family-sized projects are located in communities with lower-than-average rates of 10<sup>th</sup> grade MCAS proficiency.

- Transit Accessibility

The majority of family-sized projects are located within ¼ mile of a transit stop.

MOTEL  
ENTRANCE

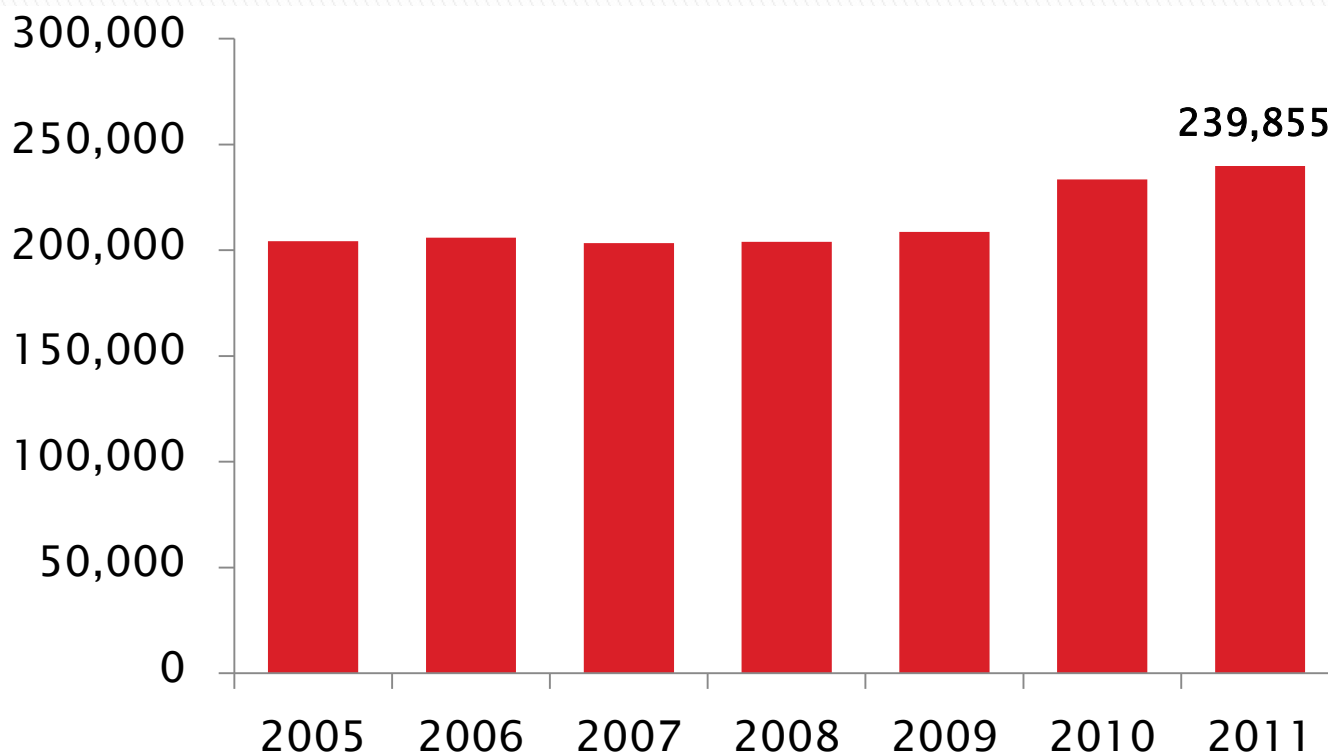
# The Need for Affordable Housing

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Year-Round Housing Units: 2,692,186

Subsidized Units: 244,563 (9.1%)

Rental Households with Worst Case Housing Needs in 2011: 239,855  
(Gross Rent  $\geq$  50% of Income)



Data from DHCD Subsidized Housing Inventory (May 2012) and  
U.S. Census Bureau, 2005–2011 1-Year ACS Estimates



WILL  
WORK  
FOR  
FOOD



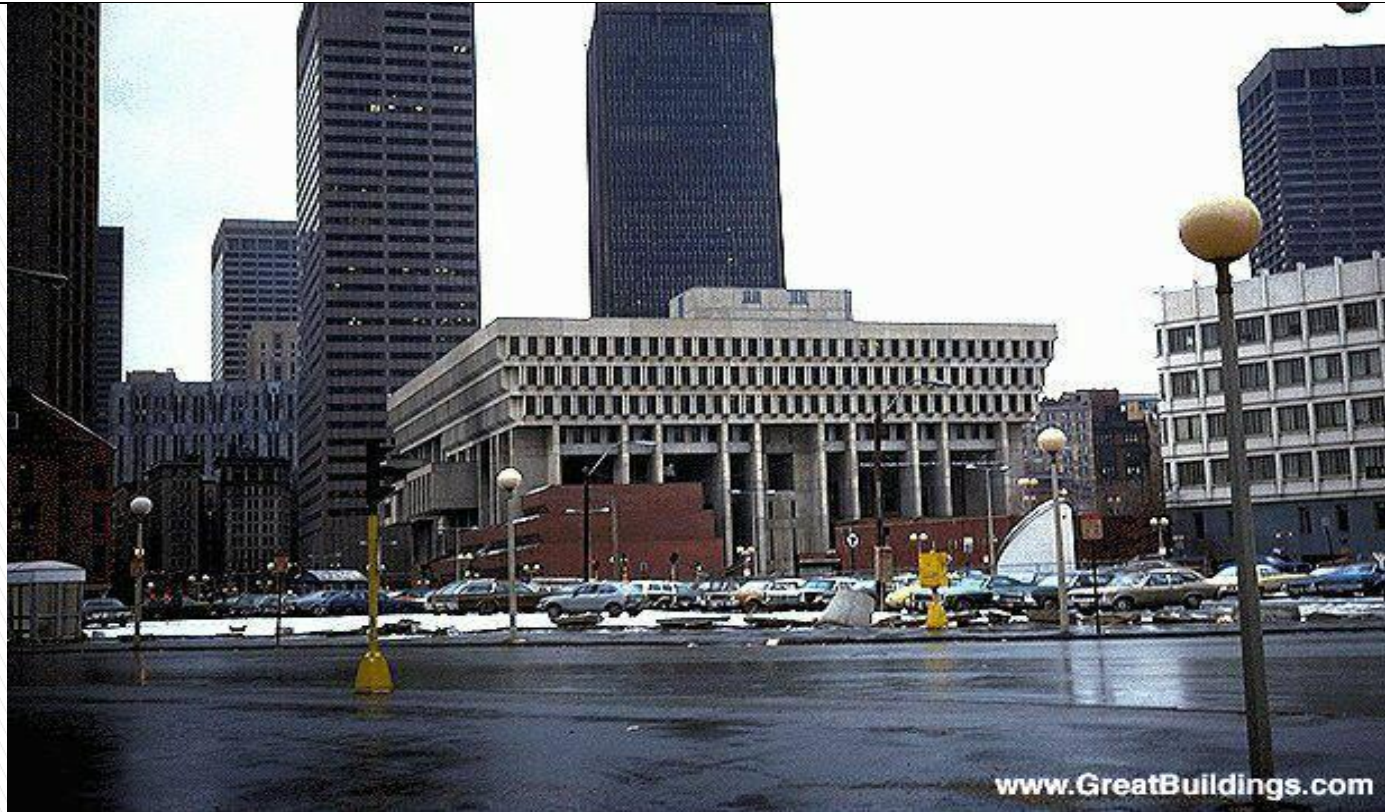
# AFFORDABLE RENTAL HOUSING: OPPORTUNITIES AND CHALLENGES

**November 13, 2012**

Chrystal Kornegay  
President and CEO

# SUPPORTIVE STATE GOVERNMENT





## Supportive Local Government

# Talent Pool







# NOT IN MY BACKYARD!



# Urban Edge Projects in Egleston-Jackson



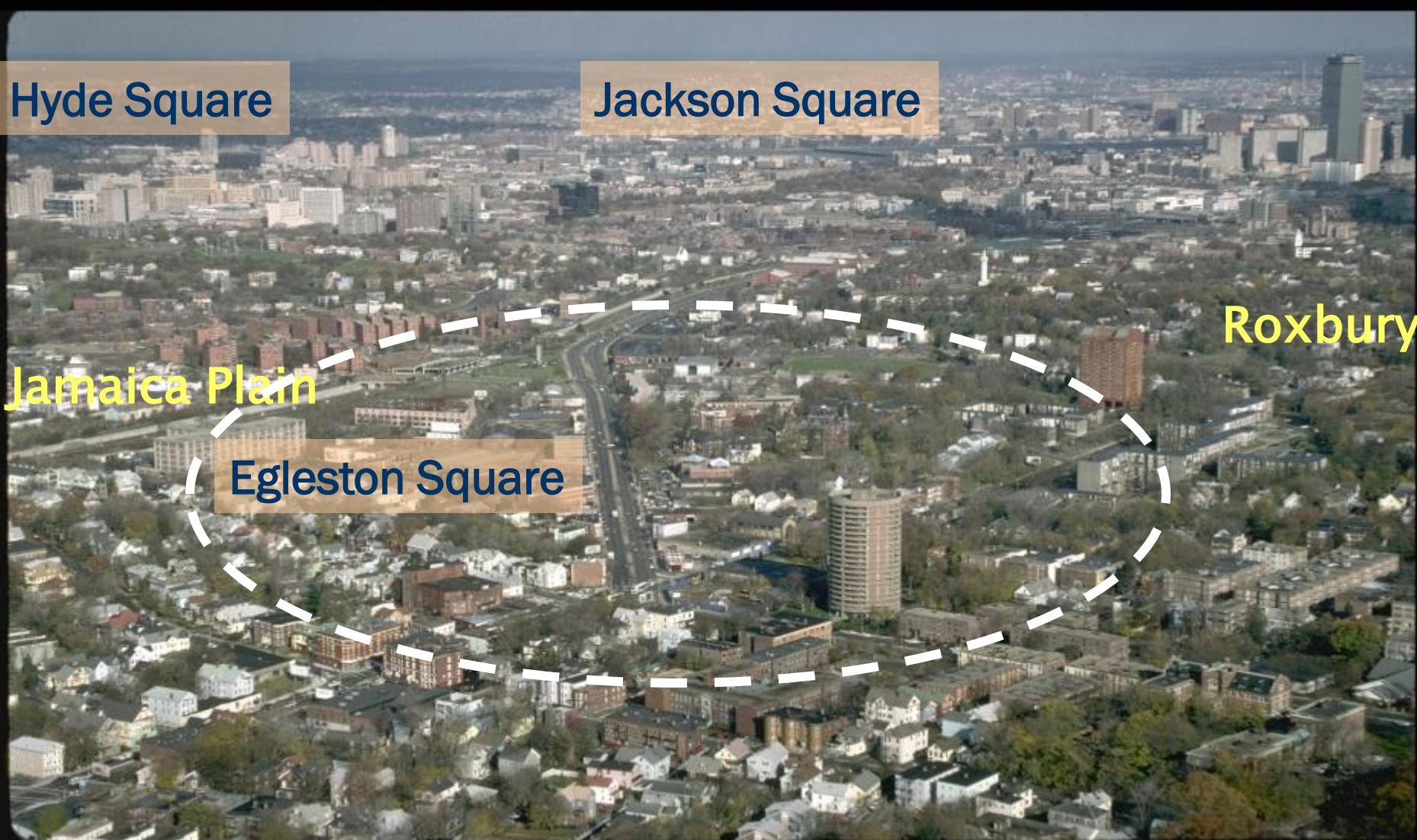
Hyde Square

Jackson Square

Jamaica Plain

Egleston Square

Roxbury





**URBAN EDGE**  
*Building Community*



**Washington Street  
and Egleston  
Square were  
overwhelmed by  
the tracks, station  
and noise of the  
Orange Line  
overhead.**





**URBAN EDGE**  
*Building Community*



Sovereign Bank now at Egleston Center along with  
McDonald's, H & R Block and Metro PCS



# PRESERVATION AND RENOVATION OF VACANT BUILDINGS IN EGLESTON SQUARE



**DIMOCK BRAGDON APARTMENTS**  
**1983**  
**54 UNITS**



# UE APARTMENTS 1987 82 UNITS



BEFORE



AFTER



EGLESTON CROSSING

64 UNITS

25% ELI  
SUPPORTED BY PBV

PINE STREET INN  
PARTNERSHIP

BEFORE



AFTER





**New Academy Estates  
236 units**

**Academy Homes  
202 units**

**T**

**Bromley Heath  
Housing  
1,000 units**



**New Academy Estates**  
**236 units**

**Academy Homes**  
**202 units**

**Amory Residences**  
**64 units**



**Bromley Heath  
Housing**  
**1,000 units**

**270 Centre Street**  
**30 units**



**URBAN EDGE**  
*Building Community*

# Amory Residences 64 units



## Production

270 Centre  
Street f/k/a  
Centrewise  
Lamartine

30 units





# 225 Centre Street The Community Builders



view at Columbus & Centre



**Academy Homes**  
**202 units**

**T**

**75 Amory Avenue**  
**37 units**

# 75 Amory Avenue JPNDC







**URBAN EDGE**  
*Building Community*



# Jackson Commons






# THANK YOU

# Opportunities and Challenges in Affordable Housing


The Western Massachusetts Dilemma  
By MBL Housing



## Opportunities

- ▶ Lower acquisition costs
- ▶ Large low-income population
- ▶ Dedicated and experienced non-profit and for-profit sponsors

## Challenges

- ▶ Developable land
  - ▶ Project variety
  - ▶ Zoning
  - ▶ Rents
  - ▶ Qualified Allocation Plan
- 

# Project Variety

Production and Preservation

A cross section of projects in Western Mass.

From Small to Large



# Western Mass Projects: Production & Preservation

- ▶ MBL Office
- ▶ Springfield
- ▶ Over 300 rental units destroyed in Springfield alone by the 2011 tornado.



# Production

- ▶ Elm Street Revitalization
- ▶ Westfield
- ▶ Scattered Site
- ▶ 17 family units
- ▶ 3 buildings





## Preservation

- ▶ Tapley School Apartments
- ▶ Springfield
- ▶ 30 family apartments

## Production

- ▶ Church Street School
- ▶ Ware
- ▶ 29 elderly apartments



# Production

- ▶ Sanford Apartments
- ▶ Westfield
- ▶ Westfield Whip Factory
- ▶ 21 ESRO units



## Production

- Clark Biscuit Factory
- 43 family units



## Production

- ▶ Massachusetts Training Academy Agawam
- ▶ Future home of 53 limited equity cooperative apartments
- ▶ for formerly homeless veterans



## Production

- ▶ Gordon H. Mansfield Veterans Village  
Pittsfield
- ▶ 39 limited equity cooperative apartments for formerly homeless veterans



## Production

- Butternut Farm  
Amherst
- 28 family units



## Preservation

- ▶ Belle-Franklin Apartments  
Springfield
- ▶ 104 family  
apartments



# Preservation

- ▶ Center City Apartments Springfield
- ▶ Tornado damaged buildings
- ▶ 47 family apartments in 4 buildings.
- ▶ Two buildings were damaged and condemned after the storm.



# Preservation

- ▶ Spring Hill Apartments  
Springfield
- ▶ Tornado damaged buildings
- ▶ 71 family units
- ▶ 21 units were destroyed by the tornado




# Preservation

- ▶ Jarvis Heights  
Holyoke
- ▶ 200 family units
- ▶ Originally built  
in 1973 and now  
in need of  
renovations and  
general  
improvements.



# Challenges to Affordable Housing

- ▶ Developable Land
  - ▶ Zoning
  - ▶ Rents
  - ▶ Qualified Allocation Plan
    - Production vs. Preservation
    - Priority Matrix
    - The 4% Credit
- 

# Challenges to Affordable Housing

## A Rent Comparison

Typical 40 unit 2-bedroom project with tenants paying for electricity and cooking fuel

		<u><b>Boston</b></u>	<u><b>Springfield</b></u>	<u><b>Pittsfield</b></u>
Fair Market Rent (FMR-2012)		\$1,369	\$855	\$835
Tenant utility allowance (E, CF)		\$52	\$61	\$55
Contract Rent/month		\$1,317	\$794	\$780
Annual Gross Rent		\$15,804	\$9,528	\$9,360
Vacancy allowance	10%	\$1,580	\$953	\$936
Net Annual Income (per unit)		\$14,224	\$8,575	\$8,424
Operating Expenses (per unit/year)		\$8,000	\$7,000	\$7,000
Net Operating Income (NOI/Unit)		\$6,224	\$1,575	\$1,424
Adjusted for DSC of 1.2		\$5,186	\$1,313	\$1,187
Supportable debt at 6.5%/ 25 yr. amortization		\$64,009	\$16,201	\$14,646
<b>Supportable debt for 40 unit project</b>		<b>\$2,560,366</b>	<b>\$648,032</b>	<b>\$585,828</b>